

**Massachusetts Electric Company**  
**Electric Industry Restructuring--Offer of Settlement**  
**Establishment of Storm Contingency Fund--Policies and Procedures**

Massachusetts Electric Company (Mass. Electric or the Company) shall establish a storm contingency fund to pay for the incremental costs incurred by the Company as the result of major storms. Major storms shall be defined as those storms with incremental costs of over \$1.0 million occurring after the date the settlement proposal is approved by the Department of Public Utilities. The fund shall be established and maintained as follows:

1. Mass. Electric will pre-fund the storm contingency fund effective August 1, 1996 through a \$3 million transfer from the Purchased Power Cost Adjustment reconciliation account. Interest will accrue immediately on the balance of the fund and will be accounted for as described in item 3 below. Beginning on the date the Retail Access Rates in Attachment 2 become effective and through the duration of the effective period of the Retail Access Rates included in Attachment 2 to this settlement proposal, Mass. Electric shall collect \$3 million annually through base rates. The accounting entry to record monthly contributions to the fund will be the following, provided that the fund is in a positive position:

DR	Account 924	Property insurance-storm contingency
CR	Account 254	Storm contingency reserve

The storm fund will be in a positive position when the cumulative amount collected through rates exceeds amounts disbursed from the fund to pay for major storm costs.

2. Upon the occurrence of a major storm, all incremental costs incurred as a result of the storm shall be offset against the balance in Account 254. If the incremental costs of major storms exceeds the balance in Account 254, such excess (i.e. a negative fund balance) shall be debited to Account 182, Deferred charges-storm fund. As long as the fund balance remains negative, the monthly entry to record the collection of storm fund proceeds will be:

DR	Account 924	Property insurance-storm contingency
CR	Account 182	Deferred charges-storm fund

Incremental costs are defined as the costs which Mass. Electric will incur as a direct result of a storm which are over and above Mass. Electric's normal costs of doing business. These costs shall include such things as overtime paid to employees to restore service to customers, rest time wages incurred as a result of storm restoration (as stipulated in union contracts), outside vendor costs, lodging and meal charges, material and supply charges, and other. The storm fund is not intended to reimburse Mass. Electric for incremental capital costs.

3. Interest shall be accrued on any positive or negative balance in the fund, calculated in accordance with the Terms and Conditions for interest expense calculated on customer deposits. If the fund is in a positive position, the entry on Mass. Electric's books will be:

DR	Account 431	Interest expense
CR	Account 254	Storm contingency reserve

If the fund is in a negative position, the entry on Mass. Electric's books will be:

DR	Account 182	Deferred charges-storm fund
CR	Account 419	Interest income

4. After the occurrence of a major storm, Mass. Electric will account for all amounts charged to the fund, and provide such accounting to the Department of Public Utilities and the Attorney General.